



## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2012 (J-GAAP)

November 7, 2011

Name of listed company: Nichii Gakkan Company

Listed on: Tokyo Stock Exchange 1st Section

Securities code: 9792

URL: <http://www.nichiigakkan.co.jp>

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Scheduled date of filing quarterly financial report: November 10, 2011

Scheduled date to start dividends distribution: December 9, 2011

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: Yes (for institutional investors and analysts)

(Figures shown are rounded down to the nearest million yen.)

### 1. Consolidated financial results for the second quarter ended September 30, 2011 (April 1, 2011 – September 30, 2011)

#### (1) Consolidated operating results

(Percentage figures represent changes from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2011	123,342	3.1	4,902	44.1	4,855	30.3	2,208	66.2
Six months ended September 30, 2010	119,623	6.2	3,401	41.9	3,727	62.6	1,329	96.1

Note: Comprehensive income: Six months ended September 30, 2011: 2,233 million yen (85.0%)  
Six months ended September 30, 2010: 1,207 million yen (– %)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
Six months ended September 30, 2011	31.98		—	
Six months ended September 30, 2010	19.25		—	

#### (2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2011	146,365		53,969		36.7	
As of March 31, 2011	125,781		52,200		41.3	

Reference: Shareholders' equity: As of September 30, 2011: 53,681 million yen As of March 31, 2011: 51,944 million yen

### 2. Dividends

	Annual Dividends (Yen)				
	First Quarter-End	Second Quarter-End	Third Quarter-End	Year-End	Annual
Year ended March 31, 2011	—	7.00	—	7.00	14.00
Year ending March 31, 2012	—	8.00			
Year ending March 31, 2012 (Forecast)			—	8.00	16.00

Note: Revisions since the most recently announced dividend forecast: None

### 3. Consolidated financial result forecasts for the year ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(Percentage figures represent changes from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	253,700	5.3	11,000	39.8	11,700	21.1	5,700	63.9	82.39

Note: Revisions since the most recently announced financial result forecast: Yes

#### 4. Others

- (1) Significant changes to subsidiaries during the term (Transfers of specific subsidiaries with changes in the scope of consolidation): None
- (2) Application of the specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of revisions
- |   |      |
|---|------|
| 1) Changes in accounting policies due to the revision of accounting standard, etc.: | None |
| 2) Changes in accounting policies other than 1):                                    | None |
| 3) Changes in accounting estimates:   | None |
| 4) Restatement of revisions:  | None |

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)	As of September 30, 2011	73,017,952 shares	As of March 31, 2011	73,017,952 shares
2) Number of treasury stock	As of September 30, 2011	3,956,561 shares	As of March 31, 2011	3,956,331 shares
3) Average number of shares issued and outstanding in each period (quarterly consolidated cumulative period)	Six months ended September 30, 2011	69,061,418 shares	Six months ended September 30, 2010	69,062,344 shares

\* **Presentation of implementation status for quarterly review procedure**

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to the quarterly consolidated financial results and the procedure based on this Act was not complete as of the release of these Consolidated Financial Results.

\* **Explanation concerning the appropriate use of financial forecasts and other special notes**

**(Notes on forward-looking statements, etc.)**

The above forecasts are based on information Nichii Gakkan had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Various factors may cause actual results to differ significantly from forecasts. Please refer to the disclaimers, provided under “Qualitative information on consolidated financial result forecasts” on page 4 of the quarterly consolidated financial results (appendix materials), regarding assumptions upon which forecasts are based and the use of forecasts.

**(Calculation of forecast net income per share)**

As announced in “Exchange of Shares between Nichii Gakkan Company and GABA Corporation to Make the Latter a Wholly Owned Subsidiary (in Japanese only)” on October 31, 2011, 250 Nichii Gakkan common shares will be exchanged for each GABA common share effective December 5, 2011. Nichii Gakkan will use 382,250 shares of treasury stock to accomplish this share exchange. The per-share net income forecast for the current fiscal year has been calculated using a treasury stock figure adjusted for the shares used in the share exchange.

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## 1. Qualitative information on quarterly consolidated financial results

### (1) Qualitative information on consolidated operating results

Key developments in the Nichii Group's business environment during the first six months of the fiscal year occurred in the area of social welfare policy, where progress was made on tax reforms to provide stable financial resources for social security programs. A proposal for the combined reform of the social security and tax systems was put forth in June, and directions were set for combining and increasing the availability of kindergarten and daycare services for children, and for strengthening ties between medical and long-term care services to establish a foundation for improving efficiency, setting priorities, and increasing functionality. At the same time, discussions on how to create a medium-scale, high-performance social security system that is sustainable over the medium-to-long term were also moved forward.

Against that backdrop, the Nichii Group focused on broadening its business activities by, for example, expanding its various management support services in its Medical Support Business and enhancing its uninsured service offerings in its Health Care Business.

In our Education Business, we acquired 96.59% of the issued and outstanding common shares of GABA Corporation ("GABA"), the leading provider of one-on-one English conversation instruction, through a tender offer implemented between August 8 and September 21, 2011. GABA was made into a consolidated subsidiary as of September 29, 2011. A share exchange will be pursued to make GABA into a wholly owned subsidiary (prospectively as of December 5, 2011). Moving forward, the Company will work to achieve further success in developing and expanding its language-learning services and build operations that are fundamentally resilient against economic fluctuation risks. This will be accomplished through the effective use of business resources to pursue efficient course development, and other initiatives aimed at strengthening the development of our language instruction services.

Our entry into the business of providing English language instruction will be key not only to the development of our Education Business but also to the enhancement of educational content for our childcare business, the pursuit of international medical exchanges in our Medical Support Business, and the development of new services that will promote internal synergies. Using our English language instruction services as a source of competitiveness, we will strengthen the relationships among our various businesses.

Turning to the impacts of the Great East Japan Earthquake, we have continued to provide nearly all of the services offered through each of our businesses, achieving this result on the strength of the Group's overall capabilities and the efforts of local staff driven by a powerful sense of mission to do everything possible to serve customers under extremely trying circumstances.

In addition, we have worked to assist people living in affected areas by, for example, providing mobile bathing services and supplying goods for daily needs. In August, we were consigned to establish and operate a support center, to serve the elderly and others affected by the March disasters in Kamaishi, a city in Iwate Prefecture. Through this and other means, we are continuing to assist in the recovery of disaster-stricken areas.

As for our business results, despite a temporary sales decline in disaster-hit areas, solid sales revenues from hospitals in our Medical Support Business and steady increases in Health Care Business service users resulted in a fourth consecutive period of record net sales.

Success carried through to our earnings, as well. Here, operational efficiency improvements in our main businesses helped us to surpass initial forecasts by a wide margin to record the third highest income in our history.

As a result, net sales during the first six months ended September 30, 2011 were 123,342 million yen (119,623 million yen in the same period of the previous year), operating income was 4,902 million yen (3,401 million yen in the same period of the previous year), ordinary income was 4,855 million yen (3,727 million yen in the same period of the previous year) and net income was 2,208 million yen (1,329 million yen in the same period of the previous year).

Operating results by segment were as follows.

#### <Medical Support Business>

In our Medical Support Business, we continued to pursue our contract revision strategy, and recorded solid sales results by using our management support services to sign new contracts primarily with private-sector hospitals and by pursuing initiatives like one aimed at strengthening sales activities targeting the expansion of our contract-based services. With the contract revision strategy, which will yield staff compensation improvements, greater customer satisfaction, and other benefits, beginning to pay off and operational efficiency improving, earnings for this business increased by 31.6% compared to the same period last year.

Regarding our management support services, we enhanced promotion of our "cyber clerk" services applying voice-recognition technology, embarked on the nationwide release of our "Media Antenna" medical care market survey service, and launched other initiatives aimed at expanding our management support services. At the same time, we pushed ahead

with groundwork for pursuing medical exchange services responding to the internationalization of medical care, and other endeavors, as well.

As a result, sales of this segment during the six months ended September 30, 2011 were 51,443 million yen (51,213 million yen in the same period of the previous year), and operating income was 3,884 million yen (2,951 million yen in the same period of the previous year).

#### <Health Care Business>

In our Health Care Business, we recorded increases in both net sales and earnings on solid growth in users of our home-visit care and other home-care services, and users of our group homes and other facility-care services. Our additions of new locations for our facility-care services are proceeding according to plans, and these new facilities are operating at high utilization rates, contributing to both sales and earnings.

During the first six months ended September 30, 2011, we opened 21 new home-visit care facilities (bringing the total to 1,043), 10 new day-care facilities (bringing the total to 304), 23 new home-care support facilities (bringing the total to 717), 2 new care equipment leasing facilities (bringing the total to 134), and 16 new home-nursing facilities (bringing the total to 18). The latter are the focus of a full-fledged development effort aimed at establishing solid ties to medical care. All of this activity took place in our home-care services. In our facility-care services, we opened 16 new Nichii no Hohoemi facilities (bringing the total to 233) and 4 new Nichii no Kirameki facilities (bringing the total to 38).

Regarding uninsured services, the scale of our operations is steadily increasing, led by welfare services for the handicapped, and we will move ahead with efforts to broaden our business activities, so that we can not only avoid institutional risk, but also build a service delivery system that provides daily-life assistance to our customers and further increases customer satisfaction.

As for our business development plans in the Chinese market, which is expected to grow rapidly, we have decided, as announced in “Nichii Carenet, the Subsidiary of the Company, to Establish a New Company in China; to Acquire Business from China-based Company (in Japanese only)” on September 20, 2011, to establish a new care equipment wholesale company in China (prospectively in January 2012) and have reached a basic agreement with Changzhou Zhongjin Medical Equipment Co., Ltd. to acquire a portion of its operations. Both of these actions were taken in furtherance of preparations for the full-scale development of a care equipment wholesale business in the Chinese market.

As a result, sales of this segment during the first six months ended September 30, 2011 were 65,836 million yen (61,126 million yen in the same period of the previous year) and operating income was 4,758 million yen (3,102 million yen in the same period of the previous year).

#### <Education Business>

In the Education Business, demand for professional qualifications has entered a downward trend as employment conditions continue the process of stabilizing. As such, enrollment in the Company’s mainstay Medical Administration and Home Helper Level 2 courses has declined relative to the same period a year ago.

As for our Web College operations, we added 12 new courses (bringing the total to 72) in September. Among our new offerings are courses in bookkeeping and accounting, IT and personal computers, and other courses that are useful for work and daily life and are part of our effort to attract a broader cross-section of students.

As a result, sales of this segment during the first six months ended June September 30, 2011 were 5,900 million yen (7,073 million yen in the same period of the previous year) and operating income was 358 million yen (1,043 million yen in the same period of the previous year).

To respond to growing needs to learn foreign languages led by globalization, the Education Business is using the Web College to develop language course offerings. However, it will also draw on the language education know-how of GABA, and proceed to develop teaching facilities that can fully leverage synergies arising from the Company’s acquisition of GABA and course offerings incorporating Web College resources. Looking ahead, our aim is to achieve even greater differentiation, build a solid operational foundation, and ultimately secure stable earnings for our Education Business by making a full-fledged entry into the field of language education.

Regarding the reporting of GABA’s business results, it should be noted that balance sheet consolidation (covering the first six months of the current fiscal year) has taken place as of September 30, 2011. Income statement consolidation is scheduled to begin with the third quarter of the current fiscal year (ending March 31, 2012).

#### <Other Businesses>

In our Other Businesses, we have actively undertaken various steps including promotional activities aimed at delivering “joy” and “healing” to customers at Lakewoods Garden Himeharu no Sato (“Lakewoods”), which held its grand opening in April of this year.

In addition, believing that we should use Lakewoods resources in our other businesses, we have laid the groundwork for using its Australian Labradoodles, which are excellent therapy dogs, at long-term care and other facilities.

As a result, sales of this segment during the first six months ended September 30, 2011 were 161 million yen (209 million yen in the same period of the previous year) and operating loss was 250 million yen (5 million yen of operating income in the same period of the previous year).

(2) Qualitative information on consolidated financial position

Total assets at the end of the first six months ended September 30, 2011 increased by 20,584 million yen compared with the figure at the end of the previous fiscal year to 146,365 million yen. This change was caused mainly by an increase in marketable securities in connection with the addition of GABA as a consolidated subsidiary. Current assets increased by 6,018 million yen, and goodwill and other fixed assets increased by 14,566 million yen.

Total liabilities increased by 18,815 million yen compared with the figure at the end of the previous fiscal year to 92,396 million yen. This is mainly because current liabilities increased by 15,855 million yen due to an increase in short-term loans payable, etc.

Total net assets increased compared with the figure at the end of the previous fiscal year by 1,769 million yen to 53,969 million yen.

(3) Qualitative information on consolidated financial result forecasts

The results forecast for the fiscal year ending March 31, 2012, which were announced on May 16, 2011, have been revised. For more information on the details of the revisions, please refer to the announcement on revised results forecasts dated November 7, 2011.

The differences between the forecast included in the financial results released on May 16, 2011 and the revised forecast are as shown below.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced forecast (A)	250,000	9,000	9,300	4,500	65.16
Revised forecast (B)	253,700	11,000	11,700	5,700	82.39
Change (B – A)	3,700	2,000	2,400	1,200	—
Change (%)	1.5	22.2	25.8	26.7	—
(Reference) Results for the year ended March 31, 2011	240,827	7,868	9,660	3,478	50.37

## 2. Summary (other) information

(1) Significant changes to subsidiaries during the period

There is no related information.

(2) Application of the specific accounting for preparing the quarterly consolidated financial statements

There is no related information.

(3) Changes in accounting policies, accounting estimates and restatement

There is no related information.

**3. Quarterly consolidated financial statements**

## (1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2011	As of September 30, 2011
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,912,556	5,694,313
Notes and accounts receivable	29,891,605	31,133,248
Short-term investment securities	—	1,498,845
Merchandise and finished goods	404,983	460,448
Work in process	4,283	2,861
Raw materials and supplies	278,660	343,720
Others	9,728,268	11,092,781
Allowance for doubtful accounts	(56,829)	(44,565)
<b>Total current assets</b>	<b>44,163,528</b>	<b>50,181,654</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures (net)	26,596,675	26,865,203
Others (net)	13,730,227	18,707,946
<b>Total tangible fixed assets</b>	<b>40,326,903</b>	<b>45,573,149</b>
<b>Intangible fixed assets</b>		
Goodwill	13,564,666	21,882,593
Others	5,453,793	5,048,303
<b>Total intangible fixed assets</b>	<b>19,018,460</b>	<b>26,930,896</b>
<b>Investments and other assets</b>		
Others	23,331,685	24,723,338
Allowance for doubtful accounts	(1,059,406)	(1,043,417)
<b>Total investments and other assets</b>	<b>22,272,279</b>	<b>23,679,921</b>
<b>Total fixed assets</b>	<b>81,617,643</b>	<b>96,183,967</b>
<b>Total assets</b>	<b>125,781,172</b>	<b>146,365,621</b>

(Thousands of yen)

	As of March 31, 2011	As of September 30, 2011
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	979,919	776,127
Short-term loans payable	1,318,002	11,278,002
Income taxes payable	3,538,277	3,110,932
Other accrued expenses	14,457,396	14,974,996
Allowance for employees' bonuses	4,223,744	5,211,738
Allowance for directors' bonuses	35,100	22,950
Others	15,003,932	20,036,947
<b>Total current liabilities</b>	<b>39,556,372</b>	<b>55,411,693</b>
<b>Long-term liabilities</b>		
Long-term loans payable	18,991,565	17,389,460
Allowance for employees' retirement benefits	4,428,149	4,600,754
Allowance for directors' retirement benefits	157,921	159,136
Asset retirement obligations	1,233,067	1,333,952
Others	9,213,699	13,501,028
<b>Total long-term liabilities</b>	<b>34,024,403</b>	<b>36,984,332</b>
<b>Total liabilities</b>	<b>73,580,776</b>	<b>92,396,026</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	11,933,790	11,933,790
Capital surplus	17,354,214	17,354,214
Retained earnings	29,492,922	31,217,936
Treasury stock	(6,789,290)	(6,789,454)
<b>Total shareholders' equity</b>	<b>51,991,637</b>	<b>53,716,486</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains (losses) on other securities	(46,849)	(34,608)
<b>Total accumulated other comprehensive income</b>	<b>(46,849)</b>	<b>(34,608)</b>
<b>Minority interests</b>	<b>255,608</b>	<b>287,716</b>
<b>Total net assets</b>	<b>52,200,395</b>	<b>53,969,595</b>
<b>Total liabilities and net assets</b>	<b>125,781,172</b>	<b>146,365,621</b>



## (2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(Six months ended September 30)

(Thousands of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net sales	119,623,409	123,342,241
Cost of sales	95,685,813	97,974,085
Gross profit	23,937,596	25,368,156
Selling, general and administrative expenses	20,535,625	20,465,929
Operating income	3,401,970	4,902,227
Non-operating income		
Interest income	55,702	66,281
Commission on consignment for office work	57,552	57,552
Rent income	89,602	122,024
Commission on consignment for job creation businesses	227,424	44,104
Subsidy income	98,484	102,410
Others	131,313	85,050
Total non-operating income	660,079	477,424
Non-operating expenses		
Interest expenses	279,823	437,231
Rent expenses	25,336	28,151
Others	29,506	58,586
Total non-operating expenses	334,667	523,970
Ordinary income	3,727,383	4,855,681
Extraordinary income		
Gain on sales of fixed assets	210	—
Reversal of allowance for employees' bonuses	111,148	—
Gain on sales of investment securities	5,119	—
Total extraordinary income	116,478	—
Extraordinary losses		
Loss on retirement of fixed assets	28,792	10,189
Loss on disaster	—	70,838
Loss on adjustment for changes of accounting standards for asset retirement obligations	504,813	—
Loss on transfer of defined contribution pension plan	—	155,795
Others	5,716	—
Total extraordinary losses	539,321	236,823
Income before income taxes and minority interests	3,304,540	4,618,858
Income taxes	1,953,541	2,471,223
Income taxes—deferred	1,306	(73,851)
Total income and other taxes	1,954,847	2,397,371
Income before minority interests	1,349,692	2,221,486
Minority interests in income	20,542	12,954
Net income	1,329,149	2,208,532

(Quarterly consolidated statements of comprehensive income)

(Six months ended September 30)

(Thousands of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Income before minority interests	1,349,692	2,221,486
Other comprehensive income		
Unrealized gains (losses) on other securities	(142,146)	12,241
Total other comprehensive income	(142,146)	12,241
Comprehensive income	1,207,546	2,233,728
(Breakdown of comprehensive income)		
Parent company portion of comprehensive income	1,187,003	2,220,773
Minority interest portion of comprehensive income	20,542	12,954

(3) Notes on premise of a going concern

There is no related information.

(4) Notes on significant fluctuation in amounts of shareholders' equity

There is no related information.

(5) Significant subsequent events

(Share exchange to make GABA into a wholly owned subsidiary)

The Company, in a Board of Directors meeting held in October 31, 2011, resolved to make GABA Corporation, which had become a consolidated subsidiary, into a wholly owned subsidiary, via share exchange, as of December 5, 2011.

1. Share Exchange Summary

(1) Name of the company whose shares are to be acquired: GABA Corporation

(2) Legal form of the combination: Share exchange

The Company, pursuant to Article 796.3 of the Companies Act, will undertake a simplified share exchange not requiring approval in a general meeting of shareholders.

(3) Share exchange date: December 5, 2011 (Effective date)

(4) Purpose of the share exchange

It is anticipated that making GABA Corporation into a wholly owned subsidiary of the Company will result in rapid business development and synergies from the combination of management resources, ultimately enabling an increase in corporate value for the Group.

(5) Details of the share exchange

250 of the Company's common shares will be exchanged for each GABA Corporation common share. It should be noted that the Company, instead of issuing new shares, will use 382,250 shares of treasury stock for the exchange.

2. Accounting Treatment Summary

The share exchange will be accounted for as a business transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).